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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

CIA/OER/S-09159-75

21 October 1975

MEMORANDUM FOR: Mr. Eric Lapp  
Office of the Special Representative  
for Trade Negotiations

SUBJECT : Eastern Europe: Economic Results and Plans

1. Attached are unclassified data on economic development in Eastern Europe and a discussion of economic plans for 1976-80 prepared by [ ] of this branch.

2. If you have any questions, please call [ ]

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Office of Economic Research

Attachments:

1. Eastern Europe: Economic Results and Plans
2. Statistical data and selected articles.

Eastern Europe: Economic Results and Plans

Economic Results

See attached data from East European statistical yearbooks and other sources.

Foreign Trade

Note that on the attached table "East European Trade, 1974", data for Romania - and the total -- have been revised on the basis of recently received Romanian foreign trade statistics.

Economic Plans, 1976-80

Most of the targets announced so far by the East Europeans are tentative and are subject to change as the impact of world market conditions and higher CEMA prices may cause them to readjust at least some of their goals.

Bulgaria

The preliminary draft plan for 1976-80 sets the following goals:

- . Gross industrial production is to increase at an average annual rate of 10-12%.
- . Investments in the five year period are to be about 80% greater than in the previous five years. Bulgaria reportedly hopes to devote three-quarters of investment to the modernization and reconstruction of industry.
- . Foreign trade turnover is to grow an average of 15-17% a year.

In the spring of 1974, Bulgaria's Council Chairman Todor Zhivkov noted that the 1976-80 plan requires the import of a large volume of machinery and equipment and that it would be desirable if some of this were to come from the United States.

Czechoslovakia

The high cost of imports of raw materials and industrial goods from the West and of oil and other raw materials from the Soviets reportedly has led the Czechoslovaks to lower their 1976-80 goals. Economic growth will be further limited by the acute labor shortage, outdated plant and equipment, and worsening trade deficits.

The Czechoslovaks have set the following rough preliminary targets:

|                               | 1980<br>(1975=100) |
|-------------------------------|--------------------|
| National income               | 128                |
| Gross industrial production   | 134                |
| Engineering industry          | 150                |
| Building materials industry   | 141                |
| Chemical industry             | 137                |
| Gross agricultural production | 115                |
| Personal consumption          | 125                |
| Average wages                 | 113-116            |
| Exports                       | 143                |

The plan is to be finalized at the 15th Party Congress in April 1976.

The consumption of primary power is to grow 17% between 1975 and 1980. One-third of this increase is to come from domestic sources. The Czechoslovaks expect nuclear power stations to provide one-fourth of the 20 billion kwh increase in electric power.

The Czechoslovaks hope to import over the next five years \$3.5 billion worth of machinery and technology from the West in an effort to modernize and renovate obsolete plant and equipment. In 1971-73, such imports averaged \$453 million a year.

#### East Germany

We have nothing on East Germany's 1976-80 plan.

#### Hungary

No plan targets have been announced yet. An article in the Hungarian Press gives some idea of possible 1976-80 goals.\* The author presents what he calls "the possible, highly probable, and desirable trajectory of national economic development based on model computations:"

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\* Translation of "The Model System of the Fifth Five-Year Plan" by Gusztav Bager, Kozgazdasagi Szemle, (Budapest) No. 5, May 1974.

|                               | 1976-1980<br>Average Annual Increase<br>In Percent |
|-------------------------------|--|
| Gross social product          | 6.0 - 6.5  |
| Gross industrial production   | 6.5 - 7.0  |
| Gross agricultural production | 2.5 - 4.4  |
| National income               | 5.7 - 6.2  |
| Net industrial production     | 5.1 - 7.3  |
| Net agricultural production   | 2.7 - 3.8  |
| Consumption                   | 5.0 - 5.5  |
| Investment                    | 5.0 - 5.8  |
| Number employed               | 0.7 - 1.0  |
| Exports                       | 7.8 - 10.8   |
| Imports                       | 7.2 - 8.6  |

#### Poland

The Poles have stated that in drawing up the 1976-80 plan, they will try to link economic growth with tangible increases in the standard of living. They see two main requirements: better meat supplies and an improved housing situation.

The main targets of the 1976-80 plan will be decided at the 7th Party Congress to be held on 8 December. At its 4 September plenum the party central committee presented the following guidelines.

|                                     | <u>1980</u><br><u>(1975=100)</u> |
|-------------------------------------|----------------------------------|
| National income                     | 140 - 142                        |
| Gross industrial production         | 148 - 150                        |
| Electric engineering industry       | 165 - 167                        |
| Chemical industry                   | 168 - 170                        |
| Timber and paper industry           | 146 - 148                        |
| Building materials industry         | 142 - 144                        |
| Light industry                      | 141 - 143                        |
| Gross agricultural production       | 115 - 116                        |
| Livestock production                | 116 - 118                        |
| Sales of goods to the population    | 142 - 145                        |
| Sales of services to the population | 157 - 160                        |
| Deliveries of food to the market    | 135 - 137                        |
| Average real wages                  | 116 - 118                        |
| Exports to CEMA countries           | 161                              |
| Imports from CEMA countries         | 169                              |

The goals for the output of individual products are as follows:

|                      | <u>1980</u>                   |
|----------------------|-------------------------------|
| Hard coal extraction | 200 million metric tons       |
| Steel                | 22 million metric tons        |
| Electric power       | 132 billion kwh               |
| Cement               | Nearly 29 million metric tons |

Investment in 1976-80 is to be 37-40% over the 1971-75 level. This represents a considerable slowdown in growth. Preliminary data indicate that in 1971-75 investment will be roughly twice that in 1966-70. The Poles claim that a large part of economic growth in 1976-80 will come from the huge investments made in the preceding five years.

Romania

The directives of the Eleventh Congress on the 1976-80 plan are attached. As indicated in Party Secretary Nicolae Ceausescu's speech of 23 July, some of these goals have since been revised:

|  | <u>New Targets</u> |
|--|--------------------|
| National income (1980/75)                          | 165                |
| Gross industrial production<br>(1980/75)           | 170                |
| Gross agricultural production<br>(1976-80/1971-75) | 134-136            |
| Grain output (average annual)                      | 21 million tons    |
| Investment (1976-80/1971-75)                       | 179                |
| Exports (1980/1975)                                | 190                |
| Imports (1980/1975)                                | 160                |



MEMORANDUM FOR:

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OER/U/EE:

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Note: Attachment #2 is simply a collection of statistical data and related articles from open-source materials serving as back-up information.

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Next 1 Page(s) In Document Exempt

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